

09/06/13

COSTING AND TAXATION

CLASS-XI

COSTING (45 MARKS)

UNIT - I (10 Marks/10 Periods)

Introduction

Definition of : Cost – Costing – Cost Accounting – Cost Centre – Cost Unit – Objectives of Cost Accounting – Features of Cost Accounting – Advantages of Cost Accounting – Limitations of Cost Accounting – Steps or Factors Necessary for Installation of a Costing System.

UNIT - II (15 Marks / 15 Periods)

A. Classification of Cost

- (i) Element-based Classification : Raw Materials Cost – Labour Cost – Other Expenses – Overhead – Prime Cost.
- (ii) Function-based Classification : Factory cost – Administration Cost – Selling Cost – Distribution cost – Research and Development Cost.
- (iii) Behaviour-based Classification : fixed Cost – Variable Cost – Semi-Variable/ Semi-Fixed Cost – Distinctions between Fixed Cost and Variable Cost.

B. Preparation of Cost Sheet

Definition of Cost Sheet – Basic Components of Cost Sheet – Practical Problems on Cost Sheet (Simple Problems excluding Cost Estimation).

Unit - III (20 Marks/25 Periods)

Cost of Materials - I

A. Storing of Materials :

- (i) Bin Card – Definition and Necessity
- (ii) Stores Ledger – Definition and Necessity
- (iii) Centralised Stores and Decentralised Stores.

B. Materials Control

(i) Necessity of Material Control

(ii) Fixation of Stock Levels of Materials : Re-order Stock Level – Maximum Stock Level – Minimum Stock Level – Average Stock Level – Danger Stock Level (with Simple Practical Problems)

(iii) Fixation of Economic Order Quantity (EOQ) : Definition and Advantages of EOQ – Simple Problems on Determination of EOQ (with the help of Formula)

TAXATION (45 MARKS)

UNIT – I

(15 Marks / 18 periods)

- a) A brief history of Income Tax in India, Tax structure in India – Direct Tax, Indirect Tax.
- b) Basic Concepts and definitions under Income Tax Act: - Previous Year, Assessment year, Assessee, Person, Sources of Income, heads of Income, Gross Total Income, Total Income.
- c) Incomes which do not form part of Total Income: Receipts by a member from Hindu Undivided family [Section 10(2)], Share of profits from a partnership firm [Section 10(2A)], Sums received under life insurance policy [Section 10(10D)], Daily allowances to MPs and MLAs [Section 10(17)], Awards [Section 10(17A)], Income of a local authority [Section 10(20)], Income from dividend [Section 10(34)], Income from units [Section 10(35)], Long term capital gains from transfer of equity shares or units [Section 10(38)].

UNIT – II

(10 Marks / 7 Periods)

Residential Status and Incidence of Tax of individual assessee.

UNIT – III

(5 Marks / 5 Periods)

Agricultural Income: Definition, Taxability of income from sale of tea and coffee grown and manufactured in India. Very common instances of agricultural incomes and non-agricultural incomes.

UNIT – IV

(15 Marks / 20 Periods)

Income under the head “Salaries”:

A. Basis of charge (Section 15), Essential norms of salary income, Allowances : - Basic Salary, Dearness Allowance, City Compensatory Allowance, House Rent Allowance [Section 10(13A)], Medical Allowance, Bonus, Children Education Allowance, Transport Allowance,

B. Perquisites [Section 17(2)]: -

a) Valuation of rent free unfurnished accommodation provided to (i) Central and State Government Employee and (ii) Private Sector Employees [Rule 3(1)] - Valuation of rent free furnished accommodation.

b) Valuation of perquisites in respect of (i) Free education to employee’s children: (ii) Payment of school fees by the employer, (iii) Education facility in employee’s institute.

c) Very common examples of tax free perquisites

III. Deduction for professional tax or tax on employment [Section 16(iii)].

PROJECT

(10 MARKS/15 PERIODS)

1. Visit any manufacturing firm, collect real data and prepare a detailed Cost Sheet.
2. Collect data from any relative, who is a salaried person and compute his / her income from salary [excluding perquisites].

COSTING AND TAXATION

CLASS-XII

COSTING (40 MARKS)

UNIT – I (10 Marks/10 Periods)

Cost of Materials – II

Methods of Pricing Materials issues from Stores and Preparation of Stores Ledger Accounts – FIFO Method, LIFO Method, Simple Average Method – Weighted Average Method – Advantages and Limitations of FIFO Method, LIFO Method, Simple Average Method and Weighted Average method.

Unit – II (25 Marks / 25 Periods)

I. Cost of Labour

Time keeping – Methods of Time keeping (Manual and Mechanical) – Features of a Good Time Keeping System.

Time Booking – Methods of Time Booking Idle Time – Causes of Idle Time.

II. Methods of Remuneration

A. Time Rate Wage – Advantages & Limitations

B. Straight Piece Wages and Simple Problems Limitations.

C. Differential Price Wage Rate : Taylor's Differential Price Wage Rate – Advantages and Simple Problems Limitation. Merrick's Differential Piece Wage Rate Method – Concept and Simple Problems.

D. Halsey and Rowan Premium Bonus Schemes – Concepts and Simple Problems.

Unit – III (5 Marks / 5 Period)

Basic Concept of Overhead

Definition of Overhead – Importance of Overhead – Classification of Overhead (only element-based, function-based and behaviour-based classification) – Distinctions between Overhead and Prime Cost.

Taxation (40 Marks)

UNIT – I (20 Marks / 20 Periods)

Income from “House Property”:-

- (i) Chargeability – essential conditions (Section 22), Property income exempt from tax, Gross Annual Value [Section 23(I)]
- (ii) Computation of income from let out house property: adjustment of vacancy period, standard deduction under Section 24(a), Interest on borrowed capital under Section 24(b) (excluding interest for pre-construction period)
- (iii) Computation of income from one self occupied house.

UNIT – II 10 Marks / 10 Periods

Income from Capital Gains : (Theory only)

Basis of charge [Section 45(I)], Meaning of Capital asset [Section 2(14)], Examples of assets not treated as capital asset, Short term Capital Asset [Section 2(42A)], Long term Capital Asset [section 2(29A)], Transfer of Capital Asset [Section 2(47)],

UNIT – III 10 Marks / 10 Periods

Income from Other Sources

Basis of charge (Section 56), Some examples of income generally taxable under this head, Tax treatment of winning from lotteries, horse race, card games, cross word puzzles [Section 56(2)(ib)], Interest on Securities (section 56(2)(id)],

PROJECT (20 MARKS/25 PERIODS)

1. Select any manufacturing unit, observe the wage payment system followed there and prepare a report on your observation.
2. Select any house having both let out and self occupied units, take the necessary information from the owner of the house and compute income from house property.